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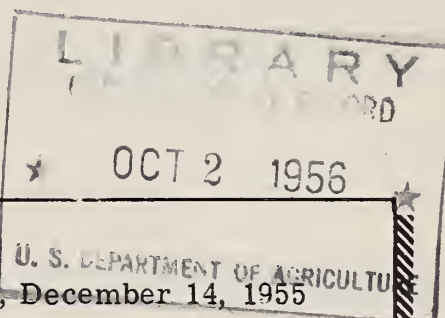
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DEMAND and PRICE SITUATION

DPS-12



Approved by the Outlook and Situation Board, December 14, 1955

SUMMARY

Prices of hogs and cattle steadied in the first half of December after declining sharply in November under pressure of heavy supplies. Slaughter of hogs in November under federal inspection was up more than a tenth from October and was nearly a fifth larger than in November 1954. Marketings of hogs were unusually early this fall and will decrease in coming weeks. Fed cattle marketings also have been large. Price declines for hogs and cattle accounted for most of the October-November decline in average prices received by farmers. Price changes for most other commodities were relatively small with declines for corn and cotton and increases for milk, potatoes and some fruits and commercial vegetables. In mid-November prices received by farmers averaged 2 percent below October and about 7 percent below a year earlier. The index of prices paid by farmers for commodities, interest, taxes and wages (Parity Index) declined one point from October to November and was unchanged from a year earlier. Thus, the parity ratio again declined slightly to 81 in November compared with 87 a year earlier.

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UNITED STATES DEPARTMENT OF AGRICULTURE
AGRICULTURAL MARKETING SERVICE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1954		1955				
		Year	Nov.	Aug.	Sept.	Oct.	Nov.	
Industrial production <u>1/</u>								
Total.....	1947-49=100	125	128	140	142	142		
All manufactures.....	do.	127	130	142	144	144		
Durable goods.....	do.	137	142	158	160	161		
Nondurable goods.....	do.	116	118	125	127	128		
Minerals.....	do.	111	113	121	122	122		
Total outlay for new construc- tion <u>2/</u>	Million dollars	37,577	3,254	3,524	3,536	3,480	3,468	
Residential.....	do.	13,496	1,229	1,390	1,381	1,324	1,297	
Total civilian employment <u>3/</u>	Million	61.2	61.7	65.5	64.7	65.2	64.8	
Nonagricultural.....	do.	54.7	55.6	58.0	56.9	57.3	57.9	
Unemployment.....	do.	3.2	2.9	2.2	2.1	2.1	2.4	
Income:								
Nonagricultural payments <u>2/4/#</u> ...	Bil. dol.	271.9	275.9	290.8	293.0	294.8		
Production-worker payrolls <u>5/#</u> ...	1947-49=100	137.7	142.2	154.6	158.8	160.8		
Weekly earnings of production- workers in manufacturing <u>5/</u>	Dollars	71.86	73.57	76.33	77.71	78.50	79.52	
Durable.....	do.	77.18	79.15	82.61	84.25	85.07	86.10	
Nondurable.....	do.	64.74	65.97	67.83	69.14	69.32	69.77	
Prices:								
Wholesale prices, all com- modities <u>5/</u>	1947-49=100	110	110	111	112	112	111	
Commodities other than farm and food.....	do.	114	115	118	118	119	119	
Farm.....	do.	96	93	88	89	87	84	
Food, processed.....	do.	105	104	102	102	100	99	
Prices received by farmers <u>6/#</u> ...	1910-14=100	249	242	233	235	230	225	
Crops.....	do.	243	243	228	229	224	224	
Livestock and products.....	do.	255	241	237	240	236	225	
Prices paid, interest, taxes and wage rates <u>6/</u>	1910-14=100	281	279	279	279	280	279	
Items used in living.....	do.	274	272	273	272	274	273	
Items used in production.....	do.	252	251	247	246	246	244	
Parity ratio.....		89	87	84	84	82	81	
Consumer price index <u>5/</u>	1947-49=100	115	115	114	115	115		
Food.....	do.	113	111	111	112	111		
Government purchases of goods and services <u>2/ 7/#</u>	Billion dollars	77.0			75.8			
Federal (less Government sales)...	do.	49.2			45.5			
State and local.....	do.	27.8			30.2			

Annual data for the years 1929, 1932 and 1935-54 appear on page 41 of the April 1955 issue of The Demand and Price Situation.

1/ Federal Reserve Board.

2/ U. S. Department of Commerce.

3/ Bureau of the Census.

4/ Monthly totals seasonally adjusted at annual rates.

5/ U. S. Department of Labor, Bureau of Labor Statistics.

6/ U. S. Department of Agriculture, Agricultural Marketing Service.

7/ Quarterly totals seasonally adjusted at annual rates.

Revised series.

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Boom conditions continue in most segments of the nonfarm economy. Economic activity expanded further in the final quarter of 1955 to the highest level of the year. Industrial output is holding at peak rates about 13 percent above a year earlier. The steel industry is operating at capacity and no early slackening is in prospect. Auto production is near the peak levels of last spring, construction continues high and investment programs are expanding. Steel supplies are relatively tight and mills are booked with orders well into 1956. Prices of industrial products continued to rise gradually in November and early December.

Businessmen, now spending at peak rates, are scheduling further capital expansion programs, according to a recent joint release by the Department of Commerce and the Securities and Exchange Commission. Outlays for new plant and equipment are planned for the first quarter next year at a rate a little above the current quarter and nearly a fourth above January-March 1955. Increases are indicated for all major industry groups but greatest expansion was in manufacturing industries and railroads. This uptrend in investment demand for new capital equipment is expected to continue well into 1956.

Construction activity was maintained in November at a rate only slightly under record levels reached earlier this year. The tapering off in residential building was largely offset by a continued rise in industrial, commercial and other types of private building. A continuation of these trends is expected to result in the maintenance of a high rate of construction activity in coming months.

The continued rise in consumer incomes in the closing months of 1955 suggests a big Christmas buying season this year. Except for the end-of-season decline in auto sales, trade has been strong in the major groups of consumer goods. Sales of 1956 model automobiles rose moderately in November; production

increased and dealers built up their stocks. Inventories in general rose fairly sharply in October, the latest month reported. Increases were reported at the manufacturing, wholesale and retail levels for both durable and non-durable goods.

Commodity Highlights

Hog slaughter will decrease in the weeks ahead and prices are expected to strengthen seasonally, but slaughter will remain relatively large for several months. Recovery in fed cattle prices will be limited by the large supply of fed cattle remaining to be marketed this winter.

Production of milk will continue above a year earlier through this winter. With larger output, more has gone into manufacturing despite larger consumption of fluid milk. Butter output is the highest since 1949.

Egg prices were maintained through early December at levels almost up to the mid-September peak. The seasonal increase in production has been slower than last year. Broiler marketings are light but large supplies of other meats are limiting price increases.

Prices of lard have weakened during the past month under the impact of heavy production. Soybean meal prices are down 30 percent and oil prices 15 percent from a year ago.

Prices of feed grains and high-protein feeds declined during October and most of November, then rose moderately in early December but were still well below a year earlier. Feed supplies are larger than last year and better distributed among all regions of the country.

Large holdings of old crop wheat in CCC inventories and a reduced 1955 crop together with the operation of price support programs have given strength to prices; supplies are the largest in history.

There is a strong demand for oranges for processing and remaining supplies of oranges for this winter are not quite as large as a year earlier. Grower prices during early winter are expected to average higher than a year earlier. Cold storage stocks of apples and pears are larger this fall than last.

The tonnage of commercial vegetables for winter harvest will be larger than last year if yields are around the average of recent years. The late potato crop is larger than last year and well in excess of normal market requirements.

The cotton crop was estimated at nearly 14.7 million bales as of December 1. This is a slight reduction from last month's indications but still about 7 percent larger than the 1954 crop. The total supply of cotton amounts to 25.7 million bales.

Domestic mill consumption of apparel wool and carpet wool this October was 15 percent and 26 percent, respectively, above a year ago.

Burley tobacco auction markets opened on November 29 and as of December 12, the price received averaged a record 58.4 cents per pound, nearly 14 percent above the comparable period last season.

THE GENERAL ECONOMIC SITUATION

The nation's economic activity in the closing months of 1955 will be at the highest levels of the year. Employment is at near record levels and consumer income after taxes in the last quarter apparently is continuing around 7 percent above a year earlier. Consumer spending is likely to rise further in response to record incomes. Businessmen are making record capital outlays in the last quarter and have scheduled a further moderate increase for the first quarter of 1956. Automobiles and steel continue to pace the record industrial output. Steel mills are operating at approximately 100 percent of capacity and anticipated demands indicate that supplies will remain relatively tight in coming months. Auto production is once again near the peak levels of last spring as dealers build up stocks of 1956 model cars. Prices remain fairly stable both at wholesale and retail. However, wholesale prices on the average declined slightly in November with the rather sharp fall in prices of meats in recent weeks.

Consumer Income and Spending Rise Further

Consumer incomes continued to rise in the final quarter of 1955. Personal income payments in October were at an annual rate of 309 1/2 billion dollars compared with an average of 306 billion for the third quarter. Personal incomes after taxes were at a rate of nearly 272 billion dollars in the third quarter and the continued rise in income payments suggests a further increase in consumer income after taxes in the final months of 1955. It now appears that consumer income after taxes in the last quarter is continuing around 7 percent above a year earlier. Although the expansion in numbers employed has slowed in recent months, the length of the work week is at the highest of the year and average hourly earnings are still rising.

Retail sales have remained fairly stable since September. After trending slowly upward during most of 1955, retail sales registered a small decline in October and again in November. However, with record high consumer incomes, businessmen are anticipating big Christmas sales this season. Most of the recent decline in retail trade was due to a falling off in auto sales. Trade in other major groups of consumer goods remained strong.

Most, if not all, of the decline in new car sales in October apparently was due to a selling out of remaining 1955 cars by many dealers before the new models became available. New car sales rose in November but the rise was slower than a year earlier following introduction of 1955 models. Production continued to expand and stocks of 1956 models were built up rapidly.

The reduction in sales of new cars in October was reflected in a slackening in the rate of expansion in consumer credit. The great bulk of the increase in this type of credit outstanding since early last spring has been for automobiles. During October, consumer installment credit outstanding rose by 264 million dollars of which 63 percent represented an increase in automobile instalment credit. This gain was less than half that of the previous month. Total consumer credit outstanding at the end of October amounted to 34.6 billion dollars, 5.7 billion higher than a year earlier.

Investment Demand
Expanding

Capital Outlays to
Rise Further

Investment by business firms in new plant and equipment is estimated at an annual rate of 30.9 billion dollars for the fourth quarter and is expected to rise to a rate of 31.6 billion dollars in the opening quarter of 1956 according to a recent joint survey of the Department of Commerce and the Securities and Exchange Commission. This up-trend in investment spending is expected to continue well into 1956.

Biggest investment increases in coming months are anticipated for railroads which expect to step up heavy investment from current levels by 23 percent during the coming January-March period. Scheduled investment by railroads in the first quarter of 1956 is some 55 percent above the average for 1955. A recent private survey of investment intentions estimated capital outlays by the railroad industry for 1956 as a whole at 27 percent above 1955.

Manufacturing industries plan to spend 6 percent more on plant and equipment in the next quarter--durable manufacturers 9 percent more and non-durable manufacturers nearly 4 percent more than in the last quarter of this year. Manufacturers' investment outlays scheduled for January-March 1956 are 18 percent above the average for 1955. Small declines from current levels are expected for mining, transportation (other than railroads), public utilities, and the "commercial and other" groups.

Table 1.- Business investment in plant and equipment, 1955 and 1956,
seasonally adjusted at annual rates

Industry group	1955		1956	First quarter 1956
	Jan.-	Oct.-	Jan.-	percentage change
	Mar.	Dec. 1/	Mar. 1/	from first quarter 1955
	Bil.	Bil.	Bil.	Pct.
	dol.	dol.	dol.	
Manufacturing	10.17	12.64	13.44	32.2
Durable goods industries	4.78	6.23	6.80	42.2
Non-durable goods industries	5.39	6.41	6.64	23.2
Mining	.80	.97	.95	18.8
Railroad	.74	1.15	1.41	90.5
Transportation, other than rail	1.46	1.66	1.64	12.3
Public utilities	4.01	4.70	4.52	12.7
Commercial and other	8.46	9.74	9.64	13.9

1/ Estimates are based on anticipated expenditures reported by business in late October and November, 1955.

Inventories Rise

Sharply in October

Following the rapid rise last spring, inventory accumulation slowed down in the third quarter of this year. The rate of build up at all levels declined from a 4.3 billion dollar annual rate during the second quarter to 2.4 billion dollars in the third quarter. In October, the first month of the final quarter, a sharp rise of 800 million dollars in the value of inventories was reported, compared with an increase of 300 million dollars in the preceding month. Most of the increase took place at the manufacturing level and to only a small extent can it be accounted for by rising inventories of new autos. Increases also were reported at wholesale and retail in both durable and non-durable goods. Some of the rise in value of inventories has been due to price increases.

High Construction

Activity Maintained

Total private construction has been holding at a level only slightly under the peak rates reached earlier this year. Declining activity in new housing has been largely offset by advancing outlays for commercial and industrial construction. Government construction expenditures have held relatively stable in recent months and for the year as a whole may be slightly above 1954. New housing starts in November, at an annual rate of 1.2 million units, were down slightly from the October rate.

New construction put in place in November declined seasonally from October but was 7 percent above a year earlier. Construction expenditures through the first 11 months of 1955 amounted to 38.9 billion dollars, nearly a fifth above the same period of 1954. It now appears that construction outlays this year will reach a new record of about 42 billion dollars. Construction activity in 1956 will probably continue around current year levels. Anticipated expenditures by business for new plant and other nonresidential building are expected to largely offset any further easing in residential building.

Industrial Output And Employment Maintained

Industrial output has continued to rise gradually in recent months. The Federal Reserve Board's index of industrial production rose from 140 (1947-49 = 100) in August to 144 in November, more than 12 percent above November a year ago. Most of the November increase was in nondurable goods.

Steel mills have been operating at rates between 99 and 100 percent of capacity since mid-October. If steel output is maintained at present rates, it is estimated that ingot production in 1955 will equal about 116 million tons. The previous record was 111.6 million tons produced in 1953. Despite record production, steel supplies continue relatively tight. Mills are booked with orders well into 1956 and steel scrap prices have risen sharply in recent months. Scheduled automobile output, anticipated plant and equipment investment by many industries including the steel industry, and continued high construction activity will place increasing demands on steel capacity in coming months.

Automobile output is rising rapidly after a quick recovery from the shutdown for model changeover in September-October and is nearing the peaks of last spring. Car production in the first week of December was just under the record of 184,000 units in the last week of April this year. Current high production rates are expected to continue at least until Christmas. The latest figures estimate new cars built through the first 10 months of 1955 at 6.5 million. It now appears that output this year may total close to 8 million units.

Manufacturers Sales Firm; Unfilled Orders Still Rising

New orders placed with manufacturers in October were estimated at 27.4 billion dollars, seasonally adjusted, down about 3 percent from the September level. The decline was entirely in durable industries; nondurables were virtually unchanged. Compared with a year ago, new orders are currently up about a fifth. Since new orders were still higher than shipments in October, the backlog of unfilled orders increased by 300 million dollars to a total of 53.3 billion dollars, 6 billion above a year ago. Order backlogs have grown steadily since last April.

Employment Leveling Off

The level of employment has remained stable this fall after the sharp upward climb of last summer. The number employed in early November totaled 64.8 million compared with 65.2 million in October and an all-time peak of 65.5 million last August. A decline of about 200,000 in the number of jobs in November was caused by a greater than seasonal decline in agricultural employment. Non-agricultural employment rose substantially more than seasonally in November. With the number of persons seeking jobs showing virtually no change from October to November, the decline in overall employment resulted in an increase in unemployment from 2.1 to 2.4 million.

The Agricultural Marketing Service reports that farm employment declined approximately 23 percent from the last week of October to the last week of November. Family labor showed a decrease of 19 percent and the number of hired workers about 35 percent.

Commodity Price Trends

Average wholesale prices declined slightly in October and November from the high for the year reached in September. As in most past months this year, declining prices for agricultural products have largely offset the rise in prices for other commodities. However, in recent weeks the fall in farm prices more than offset the gradual upward drift in prices of nonagricultural items. While average prices for the farm-product and processed-food groups declined only moderately during November, average prices for meats fell rather sharply.

Table 2.- Consumer price indexes, selected groups, third quarter 1954 and 1955 with percentage change

Group	Average July-September		Percentage change
	1954	1955	
			Percent
All items	115.0	114.7	-0.3
Food	113.6	111.6	-1.8
Housing	119.2	120.1	.8
Apparel	104.0	103.7	-.3

The cost of living in urban areas as measured by the Consumer Price Index was unchanged from September to October. The combined index remained at 114.9; the index in October 1954 was 114.5. The food price index declined over the month from 111.6 to 110.8 in October but this was offset by a gradual price advance over a wide range of other living items. Most significant increases were registered for rent, household operation, and medical and personal care.

Prices Received and
Paid by Farmers Lower

The Index of Prices Received by Farmers declined 2 percent over the month to 225 (1910-14 = 100) in mid-November. A sharp drop in hog and cattle prices caused most of the decline. The mid-November index of 225 is 7 percent below November last year. There were small declines for corn and cotton while prices of milk, potatoes, and some fruits and commercial vegetables advanced from October to November. The all crops index was unchanged at 224. However, livestock and products prices on the average declined about 5 percent from 236 to 225. This decline was attributable almost entirely to the meat animals group which fell from 240 to 216, a drop of 10 percent. Poultry product prices on the average were unchanged while the dairy products group rose less than seasonally.

Prices Paid by Farmers for Commodities, Interest, Taxes, and Wage Rates (the parity index) declined one point from 280 to 279 (1910-14 = 100) and is now at the same level as a year ago. Both prices paid for family living items and for production items declined slightly from a month earlier. Largest declines were in prices paid for food for family living and for feed and feeder livestock. Prices of feeder livestock fell about 6 percent from October to November.

Agricultural exports

Agricultural exports during July-October, totaled over \$1 billion or 13 percent above the same period last year. Value increases were registered in all major commodity groups except cotton. Grains and feeds have increased 40 percent in value. Wheat exports were close to 80 million bushels or 10 percent above last year with foreign currency sales and barter important export stimulants. Barter exports likewise contributed to increasing exports of feed grains, particularly corn, sorghums and barley. July-October exports of milled rice were 50 percent ahead of the low quantity of last year largely due to shipments under P.L. 480--sales for yen to Japan under last year's agreement, and relief shipments to Bolivia and Cambodia. Exports of tobacco during the first 4 months of this fiscal year were approximately a third larger both in quantity and value than in the same period last year with foreign currency sales accounting for about half the increase. Vegetable fats, oils and oilseeds as well as lard and tallow exports continued in large volume. The bulk of these exports have been from commercial stocks. Cotton exports continued to lag, with exports from August through October only about half as large as during the same period a year earlier. Exports of dairy products during the 4 months were substantially above last year, as donations under Section 416 and CCC sales at world prices helped move more of these commodities into export.

Table 3.- United States agricultural exports, July-October, 1955

Commodity group	1954	1955	Change: 1955 as a percentage of 1954
	Million dollars	Million dollars	
Livestock and livestock products	140	158	13
Cotton, excluding linters	183	80	-56
Tobacco, leaf	139	180	29
Grains and feeds	246	348	41
Vegetable oils and oilseeds	80	104	30
Fruits, vegetables, and preparations	89	100	12
Food for relief and charity	6	33	450
Other	27	22	-19
Total	910	1,025	13

Donations under Section 416 of the Agricultural Act of 1949 as amended by P. L. 480 have become an increasingly important factor in total export volume. Under this authority the Department not only absorbs the cost of the commodities donated but pays for packaging transportation to shipside, handling and other charges. The International Cooperation Administration pays some ocean freight. Perishable commodities mainly dairy products have constituted the bulk of these donations. However, on December 14, wheat, corn, rice and dry beans were also made available under Section 416. The foreign relief distribution of these commodities will be through private voluntary agencies. Shipments of these commodities should begin towards the first of the year.

FARM INCOME

Farmers' cash receipts from marketings in the first 11 months of 1955 are estimated at 26.5 billion dollars, down 3 percent from the corresponding period of 1954. Average prices were 4 percent below last year, but marketings were up slightly.

Cash receipts from livestock and livestock products were about 14.7 billion dollars, 4 percent below the corresponding period in 1954. Average prices were down 7 percent for all livestock items, but marketings were up a little. Receipts from hogs dropped 20 percent, with prices averaging nearly 30 percent lower as marketings rose more than 10 percent. Cattle and calves were also down for the first 11 months because of smaller marketings. Receipts from milk, eggs, and chickens were up slightly.

Crop receipts came to about 11.8 billion dollars for the 11-month period, or 2 percent below last year. Most of this decline was in wheat.

Total cash receipts in November are tentatively estimated at 3.2 billion dollars, down 12 percent from the October seasonal high and 2 percent below November of 1954. Receipts from livestock and products, at 1.5 billion dollars, were 5 percent below October. They were also below a year ago because of lower prices for hogs. Crop receipts in November were about 1.7 billion dollars, down 15 percent from October because of seasonally smaller marketings of most of the important crops. They were about the same as in November 1954.

LIVESTOCK AND MEAT

Meat production has probably passed its seasonal peak. Output will decrease this winter but it will continue large. Slaughter of both hogs and fed cattle will be above a year earlier and their prices, while likely to strengthen moderately, will remain below last winter.

Slaughter under Federal inspection in November was around 18 percent above November 1954 and nearly equal its 1943 record for the month; slaughter rose further to a weekly peak in early December. The spring pig crop was far short of a record, but an unusually high percentage of hogs from that crop moved to market before the end of the year. Under pressure of heavy supplies, hog prices declined sharply. Prices received by farmers in mid-November averaged \$12.20 per 100 pounds, \$6.30 below a year earlier. But in the first half of December they steadied at levels below mid-November. Since so much of the spring pig crop has already moved to market, hog slaughter will decrease in weeks ahead and prices are expected to strengthen seasonally. Nevertheless, slaughter will remain relatively large for several months. Marketings from the larger fall crop, which was larger than in 1954, will begin in February.

Through December 8 the Department of Agriculture had purchased 13.5 million pounds of pork and 14.6 million pounds of lard, as a surplus removal operation, for distribution of school lunches and other eligible outlets.

Marketings of fed cattle also have been large. The number of cattle on feed October 1 was 19 percent above a year earlier, and a large part was scheduled for market during the last quarter of the year. The recovery in fed cattle prices will likely be moderate because of the substantial supply remaining to be marketed this winter.

Slaughter and prices of sheep and lambs in recent weeks have averaged slightly below corresponding prices a year earlier. The seasonal increase in marketings of fed lambs will not be as great as last year. Prices of lambs will likely share in any recovery that occurs in hog and cattle prices.

DAIRY PRODUCTS

Production of milk has passed the seasonal low point and will increase to a peak next spring. Output in October was 3.4 percent above a year earlier and in November was 3.0 percent larger. For the first 11 months of 1955 production totaled 115.4 billion pounds, an increase of 0.7 billion, or 0.6 percent over a year earlier. With large feed supplies at prices favorable for production of milk, it is likely that total flow of milk will be larger than a year earlier through this winter.

Consumer demand for milk and other dairy products continues strong. Sales of fluid whole milk are significantly above a year earlier, reflecting in part the expansion in the Special School Milk Program this fall and also the program to increase milk consumption by military personnel. Total consumption of milk and dairy products per capita in 1955, from commercial sources, will average slightly above 1954 and disposition from CCC ownership or bought with Government funds will be equivalent to 28 pounds of milk per person in 1955 compared with 14 pounds in 1954.

With larger milk output, a greater quantity has been used in manufacturing recently, despite larger consumption in fluid form. Butter output in October and November was larger than at any time since 1949. Stocks of dairy products owned by private firms, continue larger than a year earlier, though they are decreasing seasonally. Price support sales of dairy products to CCC in November and early December, although seasonally low, have been larger than in late 1954.

Stable prices for dairy products in the past year together with declining prices for feeds and some competing livestock products, have resulted in some improvement in economic conditions for dairying. Barring sharply unfavorable weather in 1956, production of milk should be significantly larger than the record 124.5-125.0 billion pounds in 1955.

EGGS AND POULTRY

Eggs prices in early December were well sustained at levels almost up to the mid-September peak. In early December, many grades of eggs in important markets were 15 to 20 cents per dozen above the year before. The U. S. average price to farmers in mid-November was 43.4 cents per dozen, compared with 42.9 the month before, and 33.9 cents the year before.

Production of eggs is increasing seasonally, but at a slower rate than last year because of the smaller proportion of pullets in this year's laying flock. On October 1, the laying flock was 47 percent pullets compared with 52 percent a year earlier. Furthermore, the December 1 flock was 2 percent smaller than last year, and it is likely to continue about the same percentage below a year earlier until mid-1956. The reported rate of lay multiplied by the number of layers reported on December 1, resulted in a daily rate of production that was 1 percent below last year, but 3 percent larger than a month earlier. Egg production will rise seasonally over the current levels for several months to come.

Turkey prices weakened slightly in the 6 weeks before Thanksgiving, but at the farm level remained generally 1 to 3 cents above the year before. Earlier, individual quotations in important producing areas had been 3 to 6 cents above 1954. Storage holdings in 35 important cities on December 10 were 16 percent below the year before. In mid-November the U. S. average price to farmers was 30.3 cents per pound (live), compared with 31.5 cents in mid-October, and 28.6 cents last November. Turkey prices usually increase a little from October to November, and also from November to December. Producer prices to mid-December were mostly a cent higher on heavy-breed hens and up to 4 cents higher on toms than a month earlier.

Broiler marketings in December will probably be the lightest in 6 months, but prices early in the month continued near the levels of October and November. While higher than a year ago, the U. S. average price of 21.5 cents received by farmers in November was below the 26.7 cent average of the first 9 months of 1955. The seasonally-large supplies of competing poultry meats, and of red meats affect the October-December price every year. In 5 of the past 7 years, the lowest monthly broiler price of the year has occurred in the last quarter.

FATS, OILS AND OILSEEDS

Prices of lard weakened during the past month, mainly reflecting heavy output. The number of hogs slaughtered under Federal inspection in November was about 19 percent more than last year and near the 1943 record for the month. Yields of lard per 100 pounds live weight in October and apparently in November

were down from a year earlier but the average for this marketing year is expected to be higher than last. Prices of most other fats and oils have shown little change over the past month. Production of inedible tallow and greases has been heavy but exports are large and prices have been relatively stable. Stocks of tallow and greases at the end of October were the same as last year's comparatively low level. Output of edible oils have been heavy but a strong export demand has helped maintain prices.

Soybean prices are about 15 percent less than a year ago but somewhat above support. Soybean oil prices are about 15 percent less than last year and meal prices are down 30 percent; soybean meal prices are the lowest since the World War II period when price controls were in effect. Exports of soybeans continue heavy. Soybeans inspected for export (including shipments to Canada) from October 1 through December 9 totaled 24.4 million bushels, 1.8 million more than a year ago. Soybean crushings in October totaled 25.4 million bushels, more than in any previous month. Preliminary reports point to continued large crushings in November.

Estimated production of 1955 crop cotton and cottonseed was revised slightly downward in December. Cottonseed output now is placed at 6.0 million tons, 6 percent more than a year ago. Cottonseed crushings in August-October 1955 were slightly less than a year ago. Some increase is likely through the rest of the season as the crop year total is expected to be larger than last year.

FEEDS

Market prices of feed grains and some of the byproduct feeds advanced in the first half of December after declining during October and much of November. The price of No. 3 yellow corn at Chicago averaged \$1.27 per bushel for the week ended December 10, 14 cents above the low level reached about the middle of November. More moderate increases have occurred in prices of other feed grains and some of the high protein feeds. The mid-November index of prices received by farmers for feed grains was 20 percent lower than a year earlier and the November index of wholesale prices of high-protein feeds was 18 percent lower. The seasonal decline in corn prices in recent months brought the mid-November price to \$1.09 per bushel, 28 cents lower than a year earlier and 49 cents below the national average support price. This was a little farther below the support than the previous low in the fall of 1949. Prices of oats and barley have strengthened seasonally in recent months to near the 1955 price supports. While prices of these 2 grains were unusually low in relation to corn last summer, they are now near average in relation to corn.

The total supply of feed concentrates increased to a new high this year, estimated in November at 197 million tons, 9 percent larger than in 1954-55. The total supply appears adequate to provide our increasing livestock population

with an average rate of feeding per animal unit, meet other domestic and export requirements, and leave a little larger carryover at the close of the 1955-56 season. Carryover stocks of feed grains have increased in each of the last 3 years and the record carryover of 39 million tons this year was nearly double the carryover in 1952. About three-fourths of these carryover stocks were under loan or owned by CCC.

Supplies of each of the 4 feed grains are at record or near record levels. Large quantities of feed grains are again going under price support, although the quantities of oats and barley placed under loan through November 15 were below the record rates in 1954-55. The total hay supply is the largest on record, but supplies are only a slightly above average per animal unit. Supplies of both feed grains and hay are much better distributed over the country this year than last, when drought severely reduced production in large areas of the South and Southwest.

WHEAT

Large holdings of old crop wheat in CCC inventories, a reduced 1955 crop, and operation of the current support programs have given strength to wheat prices despite the largest supplies in our history. The movement of prices in the last half of the marketing year will depend upon the quantity of wheat placed under the support programs between now and January 31. Through November 15, 209 million bushels had been placed under price support compared with 335 million bushels a year earlier from the larger 1954 crop.

The price of hard red winter and hard red spring wheats, the better protein wheats, have been near or above loan rates for a considerable period. This has resulted in sizable free supplies of hard red spring and hard red winter wheat and this will be a limiting factor in seasonal advances in prices from present levels. Prices of ordinary protein hard red winter wheat are in general still considerably below the support rate. As a result there will be a tendency for further substantial quantities of this wheat to go under support. Soft red winter wheat prices are even further below the loan, which is conducive to continued movement under support. If large quantities of soft red winter wheat are put under price support, prices of such wheat may advance still further, although prices have been advancing recently.

Prices on December 14 in general were at the highest level of the marketing year to date. Compared with the low levels last August, prices have advanced about 5 cents to about 27 cents.

FRUIT

With strong demand for oranges for processing and remaining supplies of oranges for this winter not quite as large as a year ago, grower prices during early winter are expected to average higher than a year previously. Both grower and terminal auction prices for Florida oranges have increased since mid-November, and in early December they averaged moderately higher than a year previously. Auction prices for California oranges were much higher than a year earlier.

In contrast, remaining supplies of grapefruit are somewhat larger and grower prices for most varieties of Florida grapefruit in early December were moderately under a year earlier. But auction prices for all varieties averaged a little higher. In early winter, prices in general probably will average close to the levels of a year earlier.

Total utilization of 1955-56 crop Florida oranges and grapefruit through December 3 was a little under that in the corresponding part of 1954-55. However, use of oranges for canning and freezing was moderately larger. Manufacture of frozen orange concentrate started about two weeks earlier than in the 1954-55 season.

Season-opening prices paid by Florida packers for oranges for concentrate averaged considerably higher than in the fall of 1954. In late November 1955, stocks of frozen orange concentrate held by Florida packers were much smaller than a year earlier.

Cold-storage stocks of apples and pears continue somewhat larger this fall than last. Although grower prices for these two fruits in mid-November averaged moderately under a year earlier, prices for apples tended to increase seasonally that month. Stocks of grapes, mostly Emperor, in cold storage also are somewhat larger this fall than last. Although prices at shipping points in California increased moderately during November, they still averaged somewhat lower in early December than at the same time in 1954.

Export demand for fruits, especially citrus is strong. During the first quarter of the fiscal year beginning last July 1, orange exports were 75 percent above last year although in terms of value the rise was only about 30 percent. A much smaller but steady increase was registered for apples, dried and canned fruits and fruit juices.

COMMERCIAL VEGETABLES

For Fresh Market

Indicated acreage of vegetables for winter harvest is now available for 15 crops which, on the average, make up more than 80 percent of total tonnage of winter vegetables. Acreage of beets, broccoli, carrots, kale and spinach

are reported to be down from a year earlier, while acreages of artichokes, lima beans, cabbage, cauliflower, celery, escarole, lettuce and green peppers are reported to be up. Indicated acreage of green peas and shallots is the same as last winter. Aggregate acreage of these crops is about 6 percent larger than last winter, and about 2 percent above the 1949-54 average. If yields should average near those of recent years, tonnage would be considerably larger than in the winter of 1955. Imports of winter vegetables from Mexico and Cuba are expected to be substantially above the very light volume of a year earlier. Demand is expected to be a little stronger this winter than last and supplies of winter vegetables will be larger than in 1955.

The Department of Agriculture, in its acreage and marketing guides, has suggested a small cut in the acreage planted to vegetables for spring harvest. Average yields on the suggested acreage would result in a moderately smaller tonnage than in the spring of 1955.

Because of the materially smaller late summer crop, onions are expected to be in tighter supply into the spring and prices are likely to average above those of a year earlier. Prospects are for a record acreage of early spring onions. If yields should average near those of recent years, the large production would be expected to result in lower prices for the 1956 spring crop. Stocks of cabbage on December 1 were only one third of those on hand a year ago. But the dominant factor in the cabbage market in the early months of 1956 will be the size of the winter season crop. The acreage of winter cabbage is up from that of 1955 and, barring poor growing conditions, supplies will be larger and prices through the winter are expected to average lower than in 1955.

For Processing

Commercial processing of vegetables is largely completed for this year, although final pack figures for some items will not be available before spring. Aggregate supplies of canned and frozen vegetables available in the 1955-56 marketing season probably will not differ much from those of the preceding year. In general, supplies this year seem to be in better balance with anticipated demand than was the case last year. Tomatoes and most tomato products, asparagus, spinach and green peas appear to be in more plentiful supply than a year earlier, while supplies of sweet corn and sauerkraut are materially smaller.

Demand is expected to continue strong into 1956, and with better balanced supplies, retail prices of processed vegetables into mid-1956 are likely to average a little higher than in the first 6 months of 1955.

POTATOES AND SWEETPOTATOES

Demand for potatoes into 1956 is expected to be as strong as in 1955. But with the expectation of large stocks on hand and considerably larger production of potatoes for winter harvest, prices of potatoes for the first few

months of 1956 are expected to average below those for the corresponding months of 1955. Prices of potatoes on November 15 averaged 83 cents per bushel, up 12 cents from mid-September but 29 cents below a year earlier.

The late potato crop is about 6 percent larger than a year earlier and well in excess of normal market requirements. Through December 10, over 5.5 million bushels of potatoes had been diverted to starch under the Department of Agriculture potato diversion program, of which 4.5 million bushels met the specifications to qualify for diversion payments. An additional 311 thousand bushels had been diverted to livestock feed.

The 1955 crop of sweetpotatoes is estimated at 36 million bushels, 6 million bushels more than in 1954, and the largest production since 1950. In early November the Department put into effect a purchase program to assist the industry in disposing of the large supply. Before the program really got under way, however, market prices strengthened somewhat, and by December 10, about 31 carloads had been purchased.

Demand for sweetpotatoes into 1956 is likely to be at least as strong as in 1955, and prices are expected to rise seasonally this winter and into spring. But with the larger supplies, prices of sweetpotatoes during the next 6 to 7 months are expected to average below those of the first 6 months of 1955.

COTTON

The estimate of the 1955 cotton crop as of December 1 was 14.5 million running bales. This compares with 13.6 million for the 1954 crop. A record high yield per harvested acre of 416 pounds was set which compares with the previous record of 341 pounds for 1954.

The total supply of cotton in the United States for the 1955-56 season is estimated at a record 25.7 million bales and the carryover at the end of the season will probably be around 14 million bales. This carryover is about a million bales larger than the previous record of 1939 and compares with 11.1 million bales at the start of the 1955-56 season.

Stocks owned by or under loan to the Commodity Credit Corporation on December 2 totaled 11.9 million bales. This compares with about 8.2 million a year earlier. Net entries into CCC loan stocks from the 1955 crop were 3.8 million bales on December 2. This compares with 1.3 million about a year earlier.

Cotton growers, in a referendum on December 13, voted to extend Federal production controls on cotton to the 1956 crop. On the basis of preliminary returns, more than 90 percent of the votes were in favor of marketing quotas for the 1956 crop.

Disappearance during 1955-56 will probably be less than 12 million bales compared with about 12.3 million in 1954-55. Although prospective domestic mill consumption of around 9.2 million bales is up about 0.4 million from 1954-55, exports in 1955-56 of around 2.5 million bales would compare with 3.4 million in the preceding season. Exports from August 1 through October 1955 of about 368,000 bales were about one-half as large as exports during the same period a year earlier.

The average price for Middling 15/16 inch cotton at the 14 spot markets has been below the average loan rate of 33.75 cents since the start of the season. Although it has increased in recent weeks, the price on December 13 of 33.65 cents per pound was still slightly below the loan rate. The price at these markets a year earlier was 33.80 cents per pound.

WOOL

Prices of wool in both foreign and domestic markets early in December were about the same as a month earlier but 10 to 15 percent under a year before. Prices at the Australian auctions ranged from about 2 percent below to about 2 percent above a month earlier. Boston quotations for domestic wools ranged from about 4 percent below to about 4 percent above a month earlier, with most quotations unchanged. The average of prices received by growers for shorn wool at mid-November was 39.0 cents per pound, grease basis, 0.5 cents below the previous month and 12.0 cents below a year earlier.

Under the competitive bid selling plan which went into effect on November 1, sales of CCC wool for domestic use during any month are limited to approximately $6\frac{1}{4}$ million pounds, $1/24$ of the inventory as of November 1. During November, the maximum for the month was sold during the first three weeks of the month. The entire December quota was sold during the first week.

Domestic mills used about 5 percent more apparel wool and about 13 percent more carpet wool during January-October than during the same months of 1954. The October rate for apparel wool was 15 percent above a year earlier while that for carpet wool was up 26 percent.

The larger consumption has been reflected in imports as well as in greater use of domestic wool. The clean content of imports of dutiable wools for consumption during January-September was about 8 percent above that of the corresponding period of last year. Imports of duty-free wools were up 31 percent.

World consumption of wool during the first three quarters of 1955 is estimated to have been about 2 percent higher than that of the same period of 1954. The larger world consumption reflects increases in Germany, Japan, United Kingdom, and United States.

TOBACCO

Burley auction markets opened on November 29 and through December 12 the volume marketed was 249 million pounds averaging a record 58.4 cents per pound. This was nearly 14 percent above the price average in the comparable period last season. Deliveries for Government loans were approximately 19 percent of gross sales (including resales) compared with 30 percent of the much larger volume delivered in the like period in 1954. Although this year's burley crop is much smaller than last year, total supply is still at about last year's record level because of larger carryover.

The Virginia fire-cured and sun-cured tobacco auction markets opened in late November. For sales through December 12 the average price received for Virginia fire-cured was 32.6 cents per pound and for Virginia sun-cured 26.5 cents per pound, 5 and 18 percent lower respectively than in the comparable period a year earlier. The general quality tended to be lower than last year since these crops suffered from rains and hurricane winds during the growing season. The Kentucky-Tennessee fire-cured types begin marketing in January.

The Kentucky-Tennessee dark air-cured tobacco auctions opened December 5 and 6. For sales through December 12 prices averaged 31.7 cents per pound for One Sucker (type 35) and 30.7 cents for Green River (type 36). Both were lower than in the comparable period a year ago.

The 1955-56 total supplies of fire-cured and dark air-cured tobacco are a little larger than for 1954-55 despite cuts in the 1955 allotments for most types. The record yields per acre for several types offset the effect of the acreage cuts.

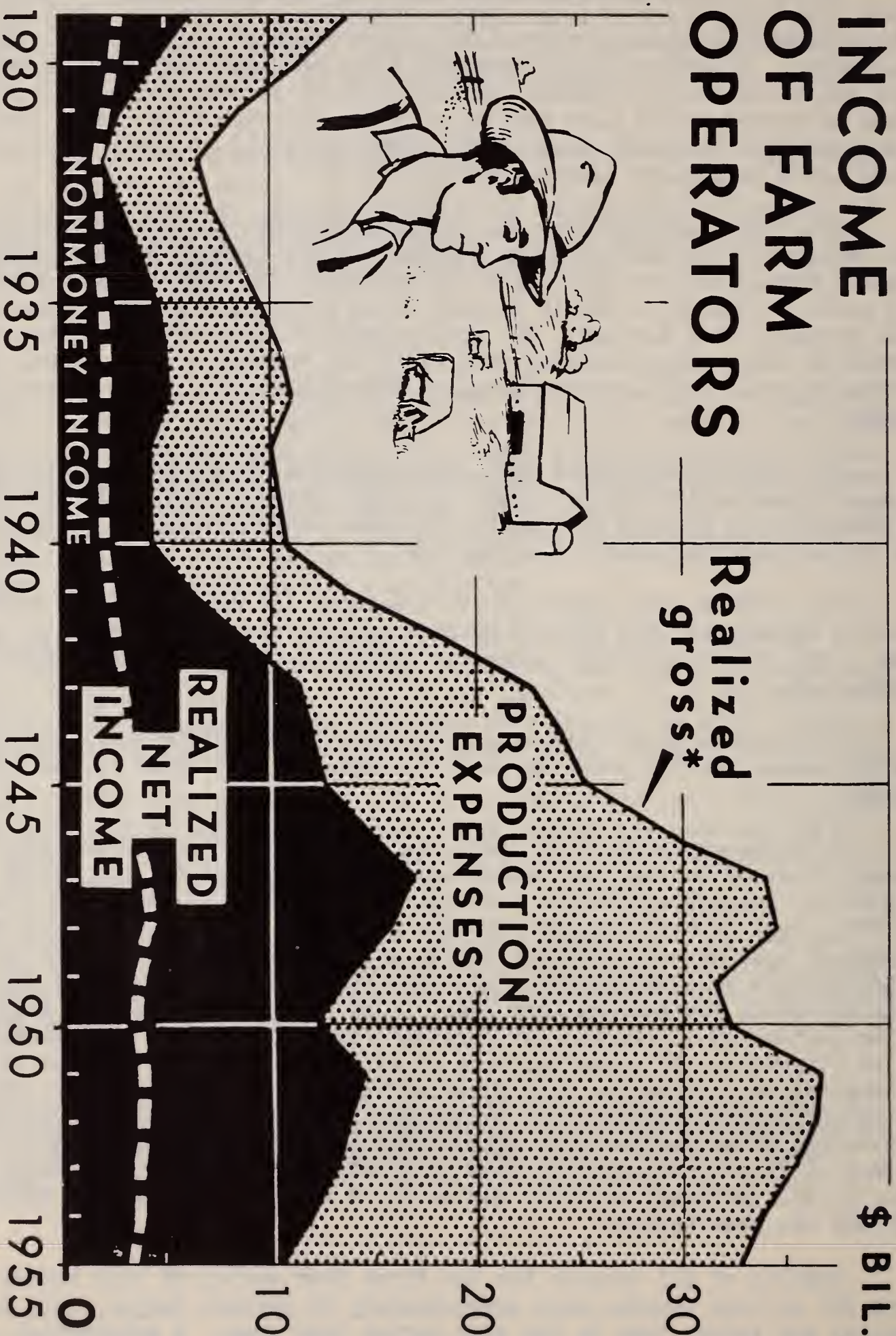
The auctioning of 1955 crop flue-cured is virtually completed and the overall season average price at about 52 cents is very close to the 1954 crop average.

On November 29 the 1956 marketing quotas and acreage allotments for several kinds of tobacco were announced by the Department. For burley and fire-cured, acreage allotments for most farms will be 15 percent smaller than in 1955. Most farm allotments for dark air-cured (types 35-36) will be 20 percent smaller and for cigar filler and binder (types 42-44 and 51-55), 12 1/2 percent smaller than in 1955. The Virginia sun-cured (type 37) allotments are about the same as last year. Also proclaimed were next year's marketing quotas and allotments for Maryland tobacco (type 32) and Pennsylvania filler (type 41). No quota has been in effect for the last 2 crops of Maryland tobacco nor at anytime for Pennsylvania filler. Growers of burley, Virginia sun-cured, Maryland tobacco and Pennsylvania filler will vote in referendums on December 29 on whether they approve marketing quotas on the next 3 crops. Growers of flue-cured approved them in a referendum earlier this year. For the other kinds, producers approved quotas for 3 years in referendums held last year and the year before.

Exports of all tobacco for the first four months of this fiscal year--about 267 million pounds--were approximately 33 percent larger, both in quantity and value, than in the same period last year. A substantial share of the difference was accounted for by shipments under PL 480.

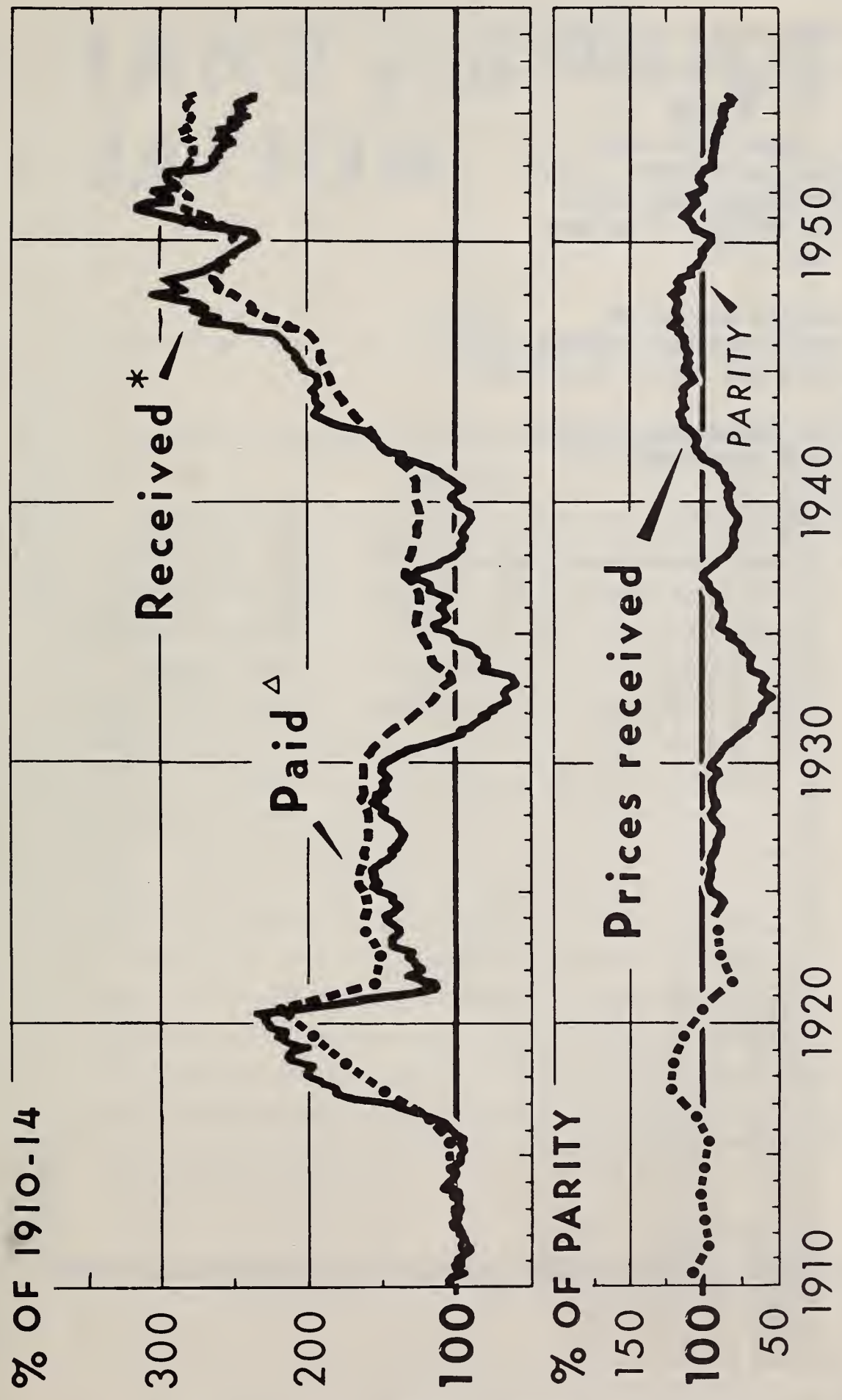
INCOME OF FARM OPERATORS

Realized
gross*



*INCLUDING GOVERNMENT PAYMENTS, BEGINNING 1933

FARMERS' PRICES



* MONTHLY DATA

^Δ INCLUDES INTEREST, TAXES, AND WAGE RATES. ANNUAL AV. DATA, 1910-23;
BY QUARTERS, 1924-36, BY MONTHS, 1937 TO DATE

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